

## Message Text

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70

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 PA-03 PRS-01 USIA-12

IGA-02 SS-15 NSC-10 RSR-01 /149 W  
----- 084960

R 161709 Z MAY 73

FM AMEMBASSY SANTIAGO

TO AMEMBASSY LA PAZ

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY LIMA

AMEMBASSY BRASILIA

SECSTATE WASHDC 4328

LIMITED OFFICIAL USE SANTIAGO 2124

DEPT ALSO PASS INFO USDA/ FAS

EO 11652: N/ A

TAGS: EAGR EAD BR AR CI BL

SUBJ: WHEAT AND FLOUR PRICES

REF: LA PAZ 2806

1. GOC WHEAT AND FLOUR PRICE POLICIES ARE DESIGNED TO KEEP BREAD PRICES LOW AND AT THE SAME TIME STIMULATE DOMESTIC WHEAT PRODUCTION. THE OFFICIAL PRODUCER PRICE OF WHEAT AT THE FARM IS CURRENTLY E434 PER 100 KILOGRAMS. BOTH IMPORTED WHEAT AND DOMESTIC WHEAT ARE NOW BEING SOLD TO FLOUR MILLS FOR E 186 PER 100 KILOGRAMS WITH THE GOC ABSORBING THE PRICE DIFFERENCE PLUS ALL TRANSPORTATION AND HANDLING COSTS.

2. THE OFFICIAL FLOUR PRICE AT THE MILLS THROUGHOUT CHILE IS CURRENTLY E 150 PER 46 KILOGRAM SACK OF FLOUR.

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3. WHEAT AND FLOUR EXPORTS ARE PROHIBITED. IMPORTS OF WHEAT AND FLOUR ARE MADE ONLY BY THE GOC AGRICULTURAL MARKETING AGENCY ECA. THE EXCHANGE RATE USED FOR WHEAT AND FLOUR IMPORTS IS E20/\$1.00 WHICH HAS BEEN IN EFFECT SINCE

AUGUST 1972. THERE IS NO DUTY ON WHEAT AND FLOUR IMPORTS.  
IN ESCUDOS, IMPORTED WHEAT NOW COSTS THE GOC ONLY ABOUT  
HALF AS MUCH AS DOMESTICALLY PRODUCED WHEAT.

4. A STATE MONOPOLY IS IN EFFECT FOR MARKETING WHEAT AND  
FLOUR THROUGHOUT CHILE. NEVERTHELESS, A SIGNIFICANT BLACK  
MARKET FOR WHEAT HAS EXISTED FOR ABOUT 18 MONTHS AND A  
BLACK MARKET FOR FLOUR BEGAN IN LATE 1972 AND IS BECOMING  
MORE WIDESPREAD. THE CURRENT BLACK MARKET FLOUR PRICE  
IS AROUND E 275 PER 46 KILOGRAM SACK.

5. USING THE CURRENT OFFICIAL EXCHANGE RATE OF E5/\$ B 1.00,  
THE PRESENT FLOUR PRICE IN BOLIVIA IS ROUGHTLY DOUBLE THE  
OFFICIAL FLOUR PRICE IN CHILE, AND IS ALSO HIGHER THAN THE  
LOCAL FLOUR BLACK MARKET PRICE.

6. CHILE' S WHEAT SUPPLY SITUATION IS EXPTECTED TO BECOME MORE  
CRITICAL AFTER JULY 1973 AS STOCKS FROM THE RECENT HARVEST  
AND HEAVY FIRST HALF 1973 WHEAT IMPORTS BECOME EXHAUSTED.  
THE FLOUR BLACK MARKET PRICE IS EXPECTED TO INCREASE  
SHARPLY IN THE NEXT SEVERAL MONTHS AS SUPPLIES DECLINE,  
AND SOME BOLIVIAN FLOUR COULD MOVE INTO NORTHERN CHILE.  
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**TAGS:** EAGR EAID BR AR CI BL  
**To:** LA PAZ INFO BUENOS AIRES  
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